



LAO PEOPLE'S DEMOCRATIC REPUBLIC
Peace Independence Democracy Unity Prosperity

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MINISTRY OF FINANCE

No. /MOF

Vientiane Capital, date: **16 SEP 2015**

Ulrich Zachau
Country Director
World Bank Office
Bangkok, Thailand

CC: Sally Burningham
Country Manager
World Bank Office
Vientiane, Lao PDR

Subject:
Emissions Reductions Program – Carbon Fund

Dear Country Director,

Forests are vital elements in the socio-economic development of Lao PDR. The Government, as expressed in its Forest Strategy 2020, aims to restore forest cover to 70 percent. The Government is committed to reducing rural poverty, especially among poor ethnic minority forest-dependent communities.

The Government is developing a national program for Reducing Emissions from Deforestation and Degradation (REDD+), as part of its larger efforts to promote sustainable forest management. The Government is receiving support for REDD+ from many development partners. It receives support from the Forest Carbon Partnership Facility's (FCPF) Readiness Fund. Lao PDR is also a pilot Forest Investment Program country. The Government is exploring the possibility of receiving REDD+ payments-for performance (incentives for emission reductions) from the FCPF's Carbon Fund. In late April 2015, the Lao National Focal Point, Dr. Inthavy Akkarath, attended a Carbon Fund meeting in Paris. At that meeting, Dr. Inthavy presented Lao PDR's "Early Ideas" on a possible Carbon Fund project. The Carbon Fund encouraged the Government of Lao PDR to develop further its ideas in a concept note.

A team comprised of colleagues from the Ministry of Natural Resources and Environment (MONRE)'s Department of Forest Resource Management (DFRM) and the Ministry of Agriculture and Forestry (MAF's) Department of Forestry (DOF) has prepared a concept note, or Emissions Reduction-Project Identification Note (ER-PIN), for submission to the Carbon Fund by 11 September 2015. This concept note will be

considered at the Carbon Fund's semi-annual meeting in October 2015. At that time the Carbon Fund will decide whether or not to accept Lao PDR into the project pipeline.

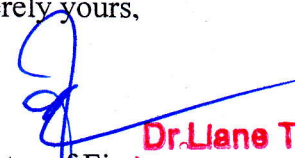
The concept note proposes an Emissions Reduction Program to cover six contiguous provinces in northern Lao PDR, which include one-third of Lao PDR's land and its forests. The proposed program area has a large number of poor ethnic minority forest-dependent communities. These communities depend upon the forests for their daily livelihoods. Many still practice shifting cultivation, or rotational agriculture. Forest encroachment is also being driven by competing land uses, with pressure from infrastructure projects, agricultural concessions and plantations. Currently the Government and development partners aim to support these rural communities, to find alternative livelihoods, to reduce deforestation and degradation, and to promote forest restoration. The six provinces—Houaphan, Luang Prabang, Bokeo, Luang Namtha, Oudomxay, and Xayabory—have all been consulted and expressed interest in participating in this program.

Therefore, I, on behalf of the GOL, am writing to request the World Bank to consider providing support to the above mentioned project. The Government of Lao PDR understands that if the Carbon Fund decides to accept Lao PDR's proposal into its project pipeline, then the Carbon Fund will provide 650,000 USD for project preparation. Such support would be provided through the World Bank. The technical officials of the Ministry of Finance together with the Ministry of Natural Resources and Environment and the Ministry of Agriculture and Forestry will contact the World Bank shortly for further support details.

I would like to thank the Bank for the cooperation and support provided to the Government of Lao PDR for its national REDD+ Program through the Forest Carbon Partnership Facility's Readiness Fund. This support is being used to develop a national REDD+ strategy and to pilot provincial-level REDD+ activities. The Government also appreciates the support of the Forest Investment Program, which is funding three important forest projects promoting participatory sustainable forest management in Lao PDR; and also contributes to REDD+ objectives. The national REDD+ program is an important one, to add value to the ongoing efforts of the Government, the World Bank, and other development partners to promote sustainable forest management, and achieve objectives of the national Forestry Strategy and National Socio-Economic Development Plans.

Please accept my sincere appreciation for your kind cooperation.

Sincerely yours,


Minister of Finance

Dr. Liang THYKEO